

# Manulife Financial Corporation Climate Change Statement

At Manulife Financial Corporation (MFC), we are taking steps to reduce our environmental footprint, support the transition to a low carbon economy, and invest in climate change mitigation and resilience. Our business can make an impact through the investments we make and the ways in which we manage assets on behalf of our clients, including timberland, agriculture, and real estate. We acknowledge the serious threats posed by climate change to our business, society, and the livelihoods of the communities in which we operate. Our effort to combat climate change is embedded across our business strategy.

The Paris Agreement urges action to hold the increase in the global average temperature to well below 2 degrees Celsius and pursue efforts to limit the temperature increase to 1.5 degrees Celsius, to significantly reduce the risks and impacts of climate change.<sup>1</sup> Therefore, achieving the goals of the Paris Agreement requires collective effort in the near- and long-term future to advance decarbonization and transition to a low carbon economy. According to the Intergovernmental Panel on Climate Change, “comprehensive, effective, and innovative responses can harness synergies and reduce trade-offs between adaptation and mitigation to advance sustainable development”.<sup>2</sup> Such profound changes present both significant risks and opportunities for all institutions, including the private sector. Accordingly, our Climate Action Plan commitments and targets are guided by the associated principles of the Paris Agreement.

## Climate Change Approach

As a long-term investor and asset manager, we seek to manage climate risk in our investments and capitalize on opportunities to help with the transition to a low carbon economy.

Our strategic approach focuses on reducing greenhouse gas (GHG) emissions from our operations, integrating climate change considerations in our investments, supporting the growth of the renewable energy and efficiency sectors, green real estate, and sustainable forestry and farmland, while promoting environmental sustainability in the communities where we operate. In addition, in our Manulife Investment Management business, we regularly engage the companies we invest in, to encourage them to mitigate their exposure to climate change risk and align their business models with the low carbon future envisaged in the Paris Agreement.<sup>3</sup>

## Climate Change Governance

Our sustainability governance framework enables us to achieve our sustainability objectives across our global franchise, facilitating easier and more strategic decision-making within the context of our business objectives. Oversight of our Environment, Social and Governance (ESG) framework is part of the mandate of our Board of Directors’ Corporate Governance and Nominating Committee (CGNC). The CGNC’s oversight of our ESG framework complements the work of the Executive Sustainability Council (ESC). The ESC consists of

our Global Chief Sustainability Officer (CSO) along with nine members of our Executive Leadership Team, including our Chief Executive Officer. The CSO chairs Manulife’s ESG Centre of Expertise (CoE), which consists of corporate function and business unit sustainability leads tasked with integrating sustainability into our business practices. Manulife’s Global Climate Change Taskforce supports execution of Manulife’s Climate Action Plan and includes business segment representation. In addition to the roles of the CGNC, ESC, CoE, and Climate Change Taskforce, the Executive Risk Committee and the Board’s Risk Committee consider climate-related risks and opportunities through the ongoing monitoring and reporting of emerging risks. In 2022, Manulife established the ESG Leaders Group consisting of senior leaders from multiple businesses and functional areas who are accountable for driving change and progress on Manulife’s Impact Agenda and broader ESG performance.

## Climate Change Risk Management

Consistent with the Financial Stability Board’s Taskforce on Climate-Related Financial Disclosures (“TCFD”), Manulife defines climate-related risks as the potential negative impacts from climate change, which may be experienced directly (e.g., through financial loss) or indirectly (e.g., through reputational harm), resulting from the physical impacts of climate change or the transition to a low-carbon economy. Guided by our [Environmental Risk Policy](#), along with business-specific policies, standards, and guidelines, climate-related risks and opportunities are identified and categorized using Manulife’s existing risk taxonomy, specifically across our principal risk types. We do not view climate-related risk as a standalone risk category but as a transversal risk that can manifest across all our existing principal risk types, including strategic, market, credit, product, or operational risk, as well as legal and reputational risk. Climate risk, therefore, is not a new risk, but viewed as a modifier or an accelerator of existing risk types. Failure to adequately prepare for the potential impacts of climate change can have material adverse impacts on our balance sheet or our ability to operate.

<sup>1</sup> [http://unfccc.int/files/essential\\_background/convention/application/pdf/english\\_paris\\_agreement.pdf](http://unfccc.int/files/essential_background/convention/application/pdf/english_paris_agreement.pdf)

<sup>2</sup> <https://www.ipcc.ch/report/ar6/wg2/chapter/summary-for-policymakers/>

<sup>3</sup> <https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement>

## Climate Action Plan

### Our Operations

#### Reducing emissions to lessen our footprint

To be an active contributor in the transition to a world where net zero carbon emissions is a reality, we will continue to take action to reduce the carbon footprint of our operations.

- We are net zero in our operations, positioned due to the carbon removals from our owned and operated forests and farmland outweighing emissions.
- We are committed to reducing absolute scope 1 and 2 emissions 40% by 2035, relative to a 2019 baseline<sup>4</sup>.

### Our Owned Investments

#### Actively investing for a sustainable future

We strive to measure the financed emissions of our general fund and know these investments play an important role in our enterprise-wide climate impact.

- We are committed to a net zero General Account investment portfolio by 2050. As part of this commitment, we have developed a combination of sector-specific and asset-class specific targets for the financed emissions of our General Account<sup>5,6</sup>:
  - Power generation project finance<sup>7</sup>: 72% in per KWH reduction in emissions intensity from project financing activities by 2035 and/or in line with a 2035 IEA target intensity of 0.14 kgCO<sub>2</sub>e/KWH

– Listed debt and equity, excluding sovereigns, in all other sectors:

- Reducing portfolio temperature from 2.9°C in 2019 to 2.5°C on a well-below 2°C pathway by 2027, based on issuer's total value chain activities (Scope 1, 2, and 3 emissions)
- Reducing portfolio temperature from 2.7°C in 2019 to 2.3°C on a well-below 2°C pathway by 2027, based on issuer's operational activities (Scope 1 and 2 emissions)
- We will continue to grow our green investments, such as renewable energy, energy-efficient and net-zero carbon real estate, sustainable forestry, and sustainable agriculture.

### Our Products and Services

#### Contributing to climate change mitigation and resilience

As a global life insurer and asset manager, we understand the connection between our environment and human health. We're in a position to provide nature-based solutions to mitigate climate change. That's why we're accelerating the pace of innovation around developing products that both solve investor needs and help create a more sustainable future.

- Manulife Investment Management will continue to give clients sustainable investing options such as the Sustainable Asia Bond strategy and Global Climate strategies<sup>8</sup>.
- Through our capabilities in timberland and agriculture, we provide investment strategies for those interested in nature-based solutions that capture even more carbon per dollar invested.
- We are dedicating resources to further analyze the impact of climate on morbidity and mortality.



For more information, please see [www.manulife.com/en/about/sustainability.html](http://www.manulife.com/en/about/sustainability.html)

<sup>4</sup> Our 2019 baseline year reflects a typical year for our operations. The COVID-19 pandemic resulted in a remote work scenario across our operations, as such our 2020 emissions are not representative of a typical year.

<sup>5</sup> Relative to a 2019 baseline estimate.

<sup>6</sup> Our interim targets are developed in accordance with the methodology for financial institutions outlined by the Science-based Targets Initiative (SBTi) with criteria for well-below 2 degree warming, in combination with Partnership for Carbon Accounting Financials (PCAF) methodologies for emissions accounting.

<sup>7</sup> Project finance is defined in accordance with SBTi's FI guidance, as an on-balance sheet loan or equity (private) with known use of proceeds that are designated for a clearly defined activity or set of activities, such as the construction of a gas-fired power plant, a wind or solar project, or energy efficiency projects.

<sup>8</sup> Not all investments are available to all investors in all jurisdictions.